

## Community resources

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*courage is contagious*

## Viewing cable 08MANAGUA1489, NICARAGUA: EUROPEAN BUDGET DONORS IN HOLDING

If you are new to these pages, please read an introduction on the [structure of a cable](#) as well as how to [discuss them](#) with others. See also the [FAQs](#)

### Understanding cables

Every cable message consists of three parts:

- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

### Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#08MANAGUA1489**.

Reference ID	Created	Released	Classification	Origin
<a href="#">08MANAGUA1489</a>	<a href="#">2008-12-12 23:07</a>	<a href="#">2011-08-30 01:44</a>	<a href="#">CONFIDENTIAL</a>	<a href="#">Embassy Managua</a>

Appears in these articles:

<http://www.nacion.com/2011-05-30/Mundo/NotasSecundarias/Mundo2758456.aspx>  
<http://www.nacion.com/2011-05-30/Mundo/NotasSecundarias/Mundo2758467.aspx>  
<http://www.nacion.com/2011-05-30/Mundo/NotasSecundarias/Mundo2758468.aspx>  
<http://www.nacion.com/2011-05-30/Mundo/NotasSecundarias/Mundo2758464.aspx>  
<http://www.confidencial.com.ni/articulo/4103/la-embusa-y-el-gabinete-de-ortega>  
<http://www.confidencial.com.ni/articulo/4104/d-rsquo-escoto-en-onu-ldquo-un-desafio-de-ortega-a-ee-uu-rdquo>  
<http://www.confidencial.com.ni/articulo/4102/estrada-y-la-ldquo-doble-cara-rdquo-ante-ee-uu>  
<http://www.confidencial.com.ni/articulo/3966/la-ldquo-injerencia-rdquo-de-ee-uu-en-el-2006>  
<http://www.nacion.com/2011-05-23/Mundo/Relacionados/Mundo2758764.aspx>  
<http://www.nacion.com/2011-05-23/Mundo/NotaPrincipal/Mundo2758753.aspx>  
<http://www.confidencial.com.ni/articulo/4041/millones-de-dolares-sin-control-y-a-discrecion>  
<http://www.confidencial.com.ni/articulo/4040/la-ldquo-injerencia-rdquo-de-venezuela-en-2006>  
<http://www.confidencial.com.ni/articulo/4047/rodrigo-barreto-enviado-de-ldquo-vacaciones-rdquo>  
<http://www.nacion.com/2011-05-16/Mundo/NotasSecundarias/Mundo2757239.aspx>  
<http://www.nacion.com/2011-05-16/Mundo/NotaPrincipal/Mundo2746658.aspx>  
<http://www.nacion.com/2011-05-16/Mundo/Relacionados/Mundo2757244.aspx>  
<http://www.nacion.com/2011-05-16/Mundo/Relacionados/Mundo2746673.aspx>  
<http://www.confidencial.com.ni/articulo/3991/dra-yadira-centeno-desmiente-cable-diplomatico-eeuu>  
<http://www.confidencial.com.ni/articulo/3968/pellas-pronostico-a-eeuu-victoria-de-ortega-en-2006>  
<http://www.confidencial.com.ni/articulo/3967/barreto-era-ldquo-fuente-confiable-rdquo-para-eeuu>

VZCZCXRO5336  
RR RUEHLMC  
DE RUEHMU #1489/01 3472307  
ZNY CCCCC ZZH  
R 122307Z DEC 08  
FM AMEMBASSY MANAGUA  
TO RUEHC/SECSTATE WASHDC 3519  
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE  
RUEHRL/AMEMBASSY BERLIN 0153  
RUEHSW/AMEMBASSY BERN 0050  
RUEHCV/AMEMBASSY CARACAS 1336  
RUEHHE/AMEMBASSY HELSINKI 0062  
RUEHLO/AMEMBASSY LONDON 0115  
RUEHNY/AMEMBASSY OSLO 0095  
RUEHFR/AMEMBASSY PARIS 0054  
RUEHSM/AMEMBASSY STOCKHOLM 0147  
RUEHTC/AMEMBASSY THE HAGUE 0176  
RHEHNSC/NSC WASHINGTON DC  
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHDC  
RUEATRS/DEPT OF TREASURY WASHINGTON DC  
RUCPDO/DEPT OF COMMERCE WASHINGTON DC  
RHEFDIA/DIA WASHINGTON DC  
RUEAIIA/CIA WASHDC  
RUMIAAA/CDR USSOUTHCOM MIAMI FL  
RUEHBS/USEU BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 03 MANAGUA 001489

SIPDIS

STATE FOR WHA/CEN, WHA/EPSC AND EEB  
DEPT FOR USOAS  
STATE PASS TO USAID FOR CARDENAS  
TREASURY FOR SARA SENICH  
USDOC FOR 4332/ITA/MAC/WH/MSIEGELMAN

E.O. 12958: DECL: 12/11/2018  
TAGS: [EAID](#) [ECON](#) [EFIN](#) [NU](#) [PGOV](#)  
SUBJECT: NICARAGUA: EUROPEAN BUDGET DONORS IN HOLDING  
PATTERN

REF: MANAGUA 1426

Classified By: Ambassador Robert J. Callahan for reasons 1.4 b & d.

¶1. (C) Summary: European donors to Nicaragua's national budget (at both the EU and Member State level) are seriously examining their assistance to Nicaragua in large part as a result of the fraud perpetrated by the Sandinista National Liberation Front (FSLN) during the November 9 municipal elections. The European Commission Delegation in Nicaragua has told us they are waiting for policy guidance from Brussels on a way forward but a suspension of disbursements is likely. Donor support accounts for almost 15% of the Nicaraguan national budget. The French Ambassador, representing the EU Presidency, recently reminded the GON in a recent press interview that EU assistance comprises about 50% of international budget support for Nicaragua. So far in 2008, Nicaragua's international Budget Support Group (BSG) has disbursed only \$15 million of a previously programmed \$115 million because of frustration with the FSLN's lack of transparency, its bullying of NGOs, and the harassment of political opposition earlier this year. Germany, the United Kingdom and Sweden had already announced plans to withdraw budget assistance earlier from Nicaragua as a result of a realignment of foreign aid priorities towards Africa and the Mideast. Europe-funded sectoral assistance projects, which are more targeted, continue to be funded. End Summary.

Europeans Reach Impasse

¶2. (C) Formed in 2005, the BSG comprises the European Commission, the Netherlands, Norway, Switzerland, Sweden, Finland, Germany, the UK, the World Bank and the Inter-American Development Bank (IADB). Unlike specific sectoral projects, budget support provides the GON with discretionary funds which can be utilized for a variety of

national needs. Our European interlocutors have recently made plain, both privately in and public, that the primary reason for dwindling budget support is the GON's antagonistic policies towards civil society, NGOs and an overall lack of fiscal transparency, to include funds from Venezuela which are "off budget." The FSLN's fraudulent November 9 municipal election results, an election which was neither free nor fair and lacked international observers, has called into question the very survival of the BSG as a cohesive entity here.

13. (C) On December 5 Carlo Pettinato, the European Commission Delegation's Chief of Institutional and Budget Support, told econoff that so far in 2008, the Commission has not provided a single euro for the Nicaraguan national budget because of dissatisfaction with the GON's performance on democracy and transparency issues. The FSLN's actions on November 9 only served to raise Nicaragua's negative profile in Europe. In Brussels, the issue of disbursements to the Ortega regime has now reached senior, political levels within the EU, drawing the attention of Commissioner for External Relations Benita Ferrero-Waldner. Pettinato said that 2009 looks equally bleak, and unless the FSLN takes dramatic steps to achieve a "politically legitimate" solution, budget support funds from the Commission will remain frozen. He added that given the multi-layered nature of the EU's decisionmaking process in Brussels, not to mention the upcoming holiday season, it was easy to predict a long delay in budget support disbursements.

14. (U) Representing the EU Presidency, French Ambassador

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Thierry Frayse adopted a sharp, highly critical tone in an interview with center-left daily El Nuevo Diario on December 13. Frayse noted that EU donations comprise roughly 50% of international budget support for the GON (about \$60 million out of \$115 million annually, adding both Commission and Member State contributions). He also opined that "many countries would like to have" the level of cooperation which Nicaragua enjoys with the EU. He lamented the lack of a constructive dialogue between the BSG and the Ortega regime, and added that the EU's previously pledged 2008 budget support package of \$39 million was very unlikely to arrive by the end of the calendar year, if at all.

#### Changing European Priorities

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15. (C) Hans Wessels, Head of Cooperation for the Embassy of the Netherlands, told econoff on December 3 that he had recommended to The Hague that the Netherlands freeze 2009 budget support for the GON pending a satisfactory, politically legitimate resolution of the November 9 crisis surrounding municipal elections. Already in 2008, the Netherlands had cut its donor support by 50%, disbursing only \$8 million instead of the previously planned \$16 million as a result of earlier anti-democratic moves by the FSLN. Wessels stated, however, that the Netherlands would leave the window open for continued budget support to get back on track, though he discounted this possibility in the near future. While Switzerland, Norway, the Netherlands and the European Commission have made "pledges" for 2009 budget support, these are for planning purposes only and very tentative.

16. (C) Nicaragua's budget woes have coincided with a shift in European assistance priorities towards Africa and the Mideast. Sweden announced its departure in August 2007. Germany decided not to provide direct budget support in 2008. In December 2007, the United Kingdom's Department for International Development (DFID) announced its decision to discontinue direct budget support, closing its DFID offices in 2010, shifting assistance to Nicaraguan NGOs.

The IFIs

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17. (C) So far, international lending institutions active in Nicaragua continue to maintain an independent, apolitical posture. The World Bank's (WB) Resident Representative in Nicaragua has stated on numerous occasions that the WB's mandate is to implement development programs, not to comment on democracy and governance issues related to the particular government in power. However, the IADB's representative in Nicaragua recently met privately with the Ambassador to express deep frustration with the GON. She also told the Ambassador that she was due to provide the IADB's Board of Directors in Washington with a status report in December on the political climate in Nicaragua (Reftel). The WB and the IADB both approved budget support contributions in 2008, but both loans require legislative approval by the Nicaraguan National Assembly, which to date has failed to act. Meanwhile, the International Monetary Fund's (IMF) representative in Nicaragua told the Ambassador on December 10 that the Fund is not prepared to disburse its next tranche of approximately \$25 million to the Central Bank until the GON demonstrates its ability to secure financing for the 2009 budget (Septel).

Comment

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18. (C) The BSG's survival as an influential and united entity in Nicaragua is uncertain. Among the European donors, only Norway and Switzerland (non-EU members) have made firm commitments to continue budget support unabated, but their contributions amount to just \$9 million per year. If the European Commission, the BSG's largest donor at almost \$40 million per year, signals an unwillingness to disburse funds, it could have serious repercussions in 2009 because overall BSG assistance accounts for approximately 15% of the national budget. The GON could be faced with a budget deficit of approximately \$100 million, by Nicaraguan standards a large sum. No doubt, President Ortega is banking on his ALBA patron Hugo Chavez to come through for him in the toughest of times.

Budget Support to the GON

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19. (U) The table below shows 2008 pledged and actually disbursed direct budget support to Nicaragua by country and/or organization, in millions of USD:

Donor	Pledged	Disbursed
European Commission	39.5	0.0
Netherlands	17.2	7.7
United Kingdom	5.0	0.0
Finland	2.7	0.0
Switzerland	4.0	4.0
Norway	5.2	3.3
World Bank	20.0	0.0
IADB	20.0	0.0
Total	115.00	15.0

CALLAHAN